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A Brief Summary of Economic Conditions

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NINETEEN FORTY-ONE OUTLOOK is for improved domestic demand for farm products, smaller exports, higher general average of prices, larger total cash income from marketings. Farm income—including Government payments—the total exceeding 9 billion dollars—may be the largest since 1929. But increased costs of commodities and services used in farm production will cancel part of the gain in farm income—1941 over 1940. * * * Agricultural production of all commodities combined may be a little smaller in 1941, but with large carry-over stocks of several commodities the total supply will be fully adequate for the country's needs. Farmers in best position as to prices and income are those producing for domestic market—producers of dairy and poultry products, meats, some fruits, and vegetables. Principal support to prices and income from cotton, wheat, tobacco will be Government loan and export programs. * * * For national defense the physical condition of the agricultural plant is the best in many years. Soil productivity has been increased, man-power is more than enough for any emergency. Agriculture is ready.

Domestic Demand in 1941

GREATER consumer purchasing power in the United States in 1941 compared with 1940 is expected to result in improved demand for farm products. Consumer incomes will reflect not only a substantial gain in industrial production, but also the gradual cumulative effects of the general improvement in business conditions during the past 2 years.

The rapidly expanding program for national defense is chiefly to be credited with the anticipated increase in industrial production, employment and consumer incomes. More than 7 billion dollars probably will be spent for national defense purposes in 1941. Of this about 5 billion represents an increase over 1940. Partly offsetting the effects on business activity of these increased defense expenditures will be decreases in some other branches of Government spending and increased tax collections. It is estimated that about half of the increase in defense spending in 1941 will represent an increase in the net contribution of the Federal Government to national purchasing power.

The development of the defense program is having a stimulating effect upon general business sentiment. Businessmen generally are anticipating several years of favorable business conditions and possibly of rising prices. This makes them less apprehensive about inventory positions, more inclined to take risks in developing new or expanding old enterprises. A part of the stimulating effects of the defense program, however, will be merely an offset to unfavorable developments which otherwise would have occurred in some lines of production and to this extent will not mean a net increase in industrial activity over that in 1940.

EXPORTS of industrial products increased about 36 percent in value following the outbreak of European war. As a percentage of industrial production in the United States, exports increased from 7.3 in September to 9.2 percent in December 1939. Following the German invasions last May a number of important export outlets for United States industrial products were closed. But the effects of this on our industrial exports were offset by increased purchases by Great Britain. The total value of industrial exports, consequently, remained almost unchanged. Exports to Great Britain now represent more than twice the proportion of our total industrial exports before the outbreak of war, despite an increase in exports to South America and other neutral nations cut off from their usual European sources of supply. It is estimated, however, that the loss of this trade with Great Britain would not directly reduce industrial production in the United States more than about 4 percent. The indirect effects might be greater, should businessmen cancel orders or delay new purchases and plant expansion.

INDUSTRIES expected to contribute importantly to the increase in industrial production in 1941 include steel, machinery, nonresidential building construction, and miscellaneous industries producing armaments. Steel output probably will be the largest ever attained in this country, since the needs of all major steel consumers—with the possible exception of automobile manufacturers—are expected to increase. By the end of 1940, machinery output is expected to approximate the all-time high reached in 1929, and in 1941 production prob-

ably will tax the facilities of the industry. Defense requirements will necessitate a considerable increase in nonresidential construction, and unless building costs rise too rapidly a relatively high level of consumer purchasing power should contribute to the maintenance of residential building around recent high levels. Many small industries, or parts of large industries, will be engaged in the manufacture of military equipment of various kinds. Individually, some of these industries do not carry much weight—airplane manufacturing, for example, despite its great importance for defense, represents a very small part of total manufacturing activity—but in the aggregate they will help materially to expand the total volume of output.

Increases in industrial production will be limited by the fact that several of the industries whose products will be in greatest demand already are approaching or have reached practical capacity, which cannot be expanded greatly in 1 year. (It is estimated that if the separate lines of production [subgroups] included in the Federal Reserve index of industrial production operated simultaneously at peak rates reached in any month in the past [after seasonal correction], the total output would be about 20 points above the August 1940 level. Such a confluence is hardly to be expected for any 1 month, much less for 12 consecutive months.)

USUALLY there is some lag between changes in industrial production, general employment and consumer purchasing power. Because plant efficiency varies directly with output, changes in manufacturing employment are not proportional to changes in production. Increased industrial activity and factory employment later result in additional changes in miscellaneous types of employment such as service and distribution. Dividends and interest payments to

owners of capital used in industry also lag behind changes in the volume of operations. Since business conditions have been mainly on the upgrade since the middle of 1938, consumer incomes should be even better in 1941 relative to 1940 than the prospective increase in industrial activity might indicate.

The number of people unemployed, estimated by the National Industrial Conference Board at 8 million to 9 million during the first 7 months of 1940, will be substantially reduced in 1941 as a result of increased industrial activity and the increase in the armed forces of this country. Should past relationships between industrial activity and nonagricultural employment continue, around 3 million additional persons may be either employed or in the military service in 1941 compared with the average for 1940.

IN the case of most foods, the total quantity consumed in the United States each year is approximately the amount produced. An increase in demand such as is in prospect for 1941, therefore, will not in itself result in any material increase in food consumption. Rather, the tendency is for such an increase in demand to raise the prices of agricultural commodities consumed in the domestic markets. For some farm products, however, decreases in foreign demand or increases in production may offset the effects on prices of the improvement in domestic demand. For some commodities, also, considerable increases in demand would be necessary to raise prices beyond the point at which support is being given by Government commodity loans.

Farmers have expressed interest as to whether the enlargement of military forces means a considerable increase in the quantity of food consumed per person. Per capita consumption of food in the army is said to be about 40 percent greater than in civilian life, but the relatively small number of persons in military service makes this of little importance in total food consumption.

Export Demand to Decline

EXPORT demand for United States farm products is likely to be worse in 1941 than it was in 1940. Continental European markets are virtually closed. They will be closed so long as present hostilities continue. Exports of soybeans, feedstuffs, and other products to Denmark, the Netherlands, or other continental countries will be greatly reduced. * * * Cotton exports to Great Britain and other countries are expected to be much smaller in 1941 than in 1940. * * * World supplies of wheat are large, Great Britain can obtain all needed supplies from the dominions. * * * War restrictions on imports of fruits and miscellaneous products by the United Kingdom will be continued, and may be more stringent in 1941 than in 1940.

There is a possibility that German bombing of British warehouses and other food handling and manufacturing facilities will reduce seriously the supplies of some foods and other commodities in Great Britain. In this event, Great Britain may be compelled to turn to the United States for larger quantities of products not obtainable from Empire sources—products such as lard, tobacco, cotton,

and canned foods. It is not likely, however, that bombings could be so effective as to bring about an increase in our exports to Great Britain sufficient to offset the loss of exports to other countries.

Should the war in Europe be terminated in 1941, the United States export situation may become more favorable than now appears probable. Deficits of agricultural products in many European areas may cause the affected countries to turn to the Western Hemisphere for supplies. These countries, however, would have little purchasing power, and barter arrangements might be sought as a means of obtaining supplies. South American and other surplus-producing countries whose regular markets have been sharply curtailed no doubt would bid eagerly for this business, and any considerable share obtained by the United States might be at the expense of additional export subsidies.

Even though the termination of war did not mean the defeat of Great Britain, the cost of rehabilitation would be so great as to make probable a continuation of present British restrictions on imports of many commodities, and of efforts to obtain needed supplies from Empire sources.

Farm Prices and Income

LARGER cash income from marketings of farm products and increased costs of farm production are in prospect for 1941. Basis for this outlook is a prospective increase in prices of farm products and an increase in the general level of prices of commodities and services used in farm production. The higher prices of farm products will be induced by improvement in consumer buying power and a rise in

the general level of wholesale prices of all commodities. Higher prices of commodities and services used in farm production are expected to result from the increased demand for materials and men in the production of industrial goods for national defense.

The exact extent of the prospective rise in prices of farm products and in the costs of production cannot be predicted. It is probable, however, that

part of the increase in income from farm marketings may be offset by the higher costs of production. Another consideration is that not all farm products will share in the higher prices. The market for several major export crops will probably be restricted by reduced foreign demand, and prices of these crops will be supported largely by Government loan and export programs. Income from livestock and livestock products is expected to increase more than the income from crops.

THE rise in prices of farm products is likely to be most pronounced for commodities which are normally consumed almost entirely in the United States. This applies especially to some fruits and vegetables, and most livestock and livestock products. Prices of most commodities largely dependent on world markets, or which are being supported by Government loan programs, probably will not be very different in 1941 than in 1940. Both the production and prices of dairy products are expected to average slightly higher in 1941, a prospective decline in hog production will be offset in part by increased sales of other meat animals, and the favorable influence of rising consumer incomes upon the prices of meat animals is expected to continue through 1941.

The trend of farm income will be

similar to that of farm prices, since farm production is expected to be about the same as, or only slightly smaller than, in 1940. Increased incomes from poultry products are indicated by prospects for more nearly normal supplies in 1941 and for improved consumer incomes. Improvement in the income from crops appears most likely in the returns from vegetables and from fruits consumed largely in domestic markets. Income from grains, cotton, and tobacco is likely to be maintained by loan programs despite relatively large carryovers and small export outlets.

AS for costs of production, fewer workers will be available for farm employment than in 1940 because of the higher level of industrial activity and the increase in the armed forces of the country, and farm wages will probably be somewhat higher than in 1940. Prices of farm machinery, automobiles, and building materials also may average slightly higher in 1941 because of the large requirements for steel and lumber products in the defense program. Wholesale prices of fertilizer materials were about 3 percent higher in July this year than last, but prices of mixed fertilizers were unchanged. The moderate advance in prices of fertilizer materials may be reflected in higher retail prices for fertilizer used in 1941 production.



Wholesale Prices To Rise

THE general level of wholesale prices in the United States is expected to average moderately higher in 1941 than in 1940. The forces affecting prices will be conflicting to an unusual extent, the defense program and improvement in general business activity favoring higher prices, but the foreign situation in general constituting a depressing influence. The result is likely to be a smaller change from

present levels than might be indicated by the changes now going on in world economic conditions. The general level of prices has been unusually stable in 1940, and the fluctuations during the past 3 years have been much smaller than in any similar period since the late 1920's.

The national defense program will affect the general movement of commodity prices in two important ways:

First, the higher level of business activity and consumer purchasing power the defense program is expected to bring about will be a favorable influence on prices of consumers' goods, and particularly of farm products consumed almost entirely in the domestic market—meats, dairy and poultry products, and some fruits and vegetables. Generally, increases in consumer incomes and demand for nonagricultural products bought by consumers are reflected more in increased output than in higher prices, as contrasted with the situation in agriculture where production is relatively constant and adjustments to changes in demand are reflected to a much greater extent in prices. But there will probably be some increase in prices of manufactured consumers' goods, particularly if costs of materials and labor go up.

THE second way in which the defense program will affect prices is by greatly increasing the demand for certain raw materials and semi-finished products, and for skilled and semiskilled labor. Sharp advances in prices of these products, and of wage rates, might lead to an ascending spiral of increased costs, higher prices, higher costs of living, demands for further increases in wages, and so on. Once well under way, such a movement might carry along with it other prices not directly affected by developments leading to the inflationary spiral. Cotton prices rose during the World War despite restricted foreign outlets. It is believed, however, that increased demand will result in only moderate increases in prices of some commodities. Many of these, such as copper and petroleum, enter into international trade, and world conditions now are not conducive of marked price increases for these products. Moreover, the Federal Government has adopted a policy of trying to prevent sharp increases in prices of non-agricultural commodities, especially those affected by the defense program. Recent experience of Great

Britain indicates that government controls may not be fully successful in accomplishing this objective, but controls could do much to minimize changes in prices of some key products such as steel.

THE European war is proving to be a depressing rather than a stimulating factor influencing movements of the general price level in the United States. In contrast to the situation prevailing during the World War there seems little likelihood of a general shortage of agricultural products, either in this country or in other parts of the world except the blockaded countries of Europe. The loss of important European markets has greatly curtailed export outlets for a number of important nonagricultural as well as farm products. Competition among surplus-producing nations for the remaining markets is keen. Should the European war be terminated before the end of 1941 some of these markets may be opened again, but the lack of purchasing power by countries involved in the war, and the uncertainty regarding trade methods to be followed by the nations of Europe, do not point to any marked increase in prices of internationally traded products in terms of United States dollars.

Another influence tending to limit general price advances in 1941 is that prices of several important agricultural commodities have been supported considerably above competitive supply and demand levels by the agricultural programs. A considerable increase in demand would be necessary to lift prices much above these support levels. Thus, the situation for farm products entering export markets, which constitute an important segment of the general price level, is not favorable to any wartime price inflation.

THE net result of these conflicting forces is likely to be a moderate increase in prices of some agricultural commodities directly influenced by

changes in domestic consumer purchasing power, modest increases in the prices of some nonagricultural consumers' goods such as automobiles, and perhaps sharp increases in a few

industrial products such as lumber, which already has felt the effects of the defense program. This probably means a moderate increase in the general level of wholesale prices.

1941 Outlook For Livestock

ALTHOUGH slaughter supplies of livestock in 1941 will be larger than the average of recent years, they will be smaller than in 1940. A material reduction in hog marketings and a small decrease in supplies of grain-fed cattle are in prospect. The decrease in supplies will be accompanied by a stronger consumer demand for meats, and the general level of livestock prices is expected to average higher in 1941 than in the present year; the rise will be more pronounced for hogs than for other species of livestock.

Cash income from marketings of meat animals in 1941 probably will be greater than in 1940. Total marketings of cattle and calves and of sheep and lambs are not likely to be greatly different from those of this year, while prices of both cattle and lambs may average a little higher. The decrease in hog marketings in 1941 from 1940 will be less percentage-wise than the advance in hog prices.

The smaller supplies of hogs next year will mean that total meat production in 1941 will be moderately smaller than in 1940, but it will be larger than in 1939 and above average for recent years. Total meat production in 1940 is the largest on record, and per capita production is the largest in more than 10 years.

Livestock numbers on January 1, 1941, on an animal unit basis, will be around 3 or 4 percent less than a year earlier; a decrease in hogs will more than offset an increase in cattle. Cattle numbers probably will increase further in the next few years, while hog numbers may fluctuate around the level of the past 2 years. Under these

conditions the trend in total meat production is expected to be moderately upward after 1941. The record production of meats in 1940 may well be exceeded within the next 3 or 4 years. In considering the effects of the probable changes in supplies upon livestock prices, however, it should be recognized that fluctuations in demand (industrial activity and national income) over a period of years have been much greater than fluctuations in supplies.

HOOGS: Largely as a result of the unfavorable ratio of hog prices to corn prices since early last fall, the 1940 spring pig crop was curtailed by about 8 percent. The total number of pigs saved during the past spring amounted to 48.0 million head, 4.3 million head less than the 1939 spring crop and 3.6 million head less than the predrought (1929-33) average spring pig crop. Decreases from a year earlier were reported in all regions, but the largest percentage reductions took place in the South Atlantic and South Central States. The only region where hog production is still below the predrought level is the western Corn Belt.

On the basis of breeding intentions reported by farmers about June 1 and other indications, the number of sows to farrow in the 1940 fall season (June-November) is estimated to be about 12 percent smaller than the number farrowing in the fall of 1939. This reduction in sows will be reflected in a similar reduction in the 1940 fall pig crop. Present indications are that the fall crop will be about 27.8 million head compared with 32.0 million head in the

fall of 1939. Together, the 1940 spring and fall pig crops are expected to total about 75.8 million head. This is a reduction of 8.5 million head, or about 10 percent, under the 1939 combined spring and fall pig crop.

Slaughter supplies of hogs in the 1940-41 hog-marketing year, which began October 1, will be materially smaller than the large supply marketed during the current 1939-40 season. On the basis of past relationships between changes in the size of the pig crop and hog slaughter, the number of hogs slaughtered under Federal inspection in the 1940-41 hog-marketing year is expected to total about 43 million head. This will be a decrease of around 10 percent from the approximately 47.5 million head slaughtered in the 1939-40 season. Except for the past year, however, it will be considerably larger than in any other year since 1933-34, but it will be a little smaller than the 5-year predrought average of 45.4 million head.

Average weights of hogs marketed in the past 3 years have been heavy, but in recent months average weights have been lighter than a year earlier. This tendency toward lighter weights may continue well into the 1940-41 marketing year.

The usual seasonal increase in hog marketings is now under way. The hog-corn price ratio probably will be no lower than, if as low as, in 1939-40, and the seasonal distribution of hog marketings this fall and winter may be about the same as a year earlier. This would mean that marketings in the second quarter (January-March) would be a little larger than in the first quarter (October-December). Should this be the case, the seasonal decrease in hog marketings in the second quarter of the year probably will be fairly large. Because of the expected greater reduction in the 1940 fall pig crop than in the 1940 spring crop, the seasonal increase in marketings during late spring and early summer may be very slight.

The average price received by farmers for hogs during the 1939-40 hog-marketing year was about \$5.50. Although the slaughter supply of hogs during the season was only a little larger than the predrought average, relatively small exports caused the supply of hog products for domestic consumption to be about the largest on record. With prospects for a substantial reduction in hog supplies in the coming year and further improvement in the domestic consumer demand for meats, present indications are that the level of hog prices in 1940-41 will be materially higher than in 1939-40. Export demand for pork and possibly lard does not promise to be any better, if as good, in 1940-41 as in 1939-40. But since exports have been small in the past few years, further weakness in the export demand for hog products will not constitute an important price-depressing factor. A seasonal decline in hog prices probably will accompany the fall and winter increase in marketings. But storage demand probably will be stronger this fall and winter than last, and hog prices are not likely to drop to levels so low as those reached last winter.

BEEF CATTLE: The total slaughter supply of cattle and calves marketed during 1941 is not expected to be greatly different from the supply marketed in each of the past 2 years. A decrease in marketings of grain-fed cattle now seems probable for 1941, but marketings of other cattle and calves probably will be a little larger next year than in 1940. Range feed conditions deteriorated considerably during the late summer this year. But except for limited areas, marketings of cattle this fall from Western States will be no larger than they were last fall.

Marketings of grain-fed cattle will continue large during the remainder of 1940 but probably no larger than in the last few months of 1939. Cattle feeding expanded rapidly during the 3

years 1937 to 1939. But the rate of increase began to slow down early this year, and on August 1 the number of cattle on feed in the Corn Belt was 3 percent less than a year earlier. This tendency for cattle feeding to be reduced in recent months reflects both relatively high costs of feeder cattle and feed in the 1939-40 feeding season. Present indications are that corn prices will average higher in 1940-41 than in 1939-40, and prices of feeder cattle are about the same as a year earlier.

Supplies of beef and veal produced during the remainder of 1940 probably will be a little larger than in the corresponding period of last year. But in the first half of 1941 beef supplies may be a little smaller than in the first half of 1940. Domestic consumer demand for meats during the remainder of 1940 and the first part of 1941 is expected to be a little stronger than in the corresponding period a year earlier. It seems likely, therefore, that the general level of slaughter cattle prices will be a little higher in 1941 than in 1940.

A wider spread between prices of the better grades of cattle and prices of lower grades is in prospect. In view of the prospects for moderate reduction in marketings of grain-fed cattle, prices of the better grades may average a little higher during the first half of 1941 than they did in the first part of this year. Prices of the lower grades of slaughter cattle, on the other hand, may average about the same or a little lower. The spread between prices of the upper and lower grades of slaughter cattle has been relatively narrow during most of the last 2 years, largely because of a strong demand for breeding and feeding cattle and the relatively small proportion of cows and heifers in slaughter supplies. Although the demand for breeding stock probably will continue strong, some increase in marketings of cows and heifers is expected next year.

During the period 1934 to 1938 cattle numbers on farms and ranches

were reduced sharply, with most of the reduction in the area west of the Mississippi River. Since 1938 cattle numbers have again increased, but in a large section of the range States considerable restocking is still necessary if herds are to be increased to the 1934 level. During most of 1940 the tendency to hold back breeding stock—as evidenced by the relatively small proportion of cows and heifers in total slaughter—was quite marked. Present indications are that the increase in cattle numbers during 1940 will amount to about 2 million head. This will raise the total number of cattle and calves on farms and ranches on January 1, 1941, to around 70.8 million head, compared with the peak of 74.3 million head for 1934 and the 1938 low point of 66.1 million head. Barring severe drought, the upward trend in cattle numbers probably will continue during the next 2 or 3 years. And it is likely that the 1934 peak will be exceeded before a cyclical down-swing in numbers gets under way.

The continued increase in cattle numbers eventually will result in a material increase in marketings and slaughter of cattle. Should cattle numbers be maintained at about the figure expected for 1941 the number of cattle and calves slaughtered each year could exceed 26 million head, 10 percent greater than it has been in the last 2 years. And, once the downward trend in cattle numbers gets under way, total slaughter may exceed 28 million head. This would be much the largest commercial slaughter on record.

Thus, over a period of the next 5 years a material increase in the production of beef and veal is probable. If hog slaughter continues near the level of the past 2 years, this will mean a substantial increase in total meat production. Under these conditions, considerable improvement in consumer demand for meats in this country will be necessary if a sharp downward trend in cattle prices is to be avoided.

LAMBS: The 1940 lamb crop totaled 32,729,000 head. It was 3 percent larger than the 1939 crop and was the largest crop on record. Most of the increase in the 1940 lamb crop over that of 1939 was in Texas, the leading western sheep-producing State. The total crop in the other western sheep States was a little smaller this year than last, while in the native sheep States the lamb crop was only a little larger than that of last year. The large increase in the Texas lamb crop resulted from an increase in the number of breeding ewes as well as the number of lambs saved per 100 ewes. In the native sheep States, however, a marked increase in breeding ewes this year was largely offset by the small number of lambs saved per 100 ewes. Weather conditions were very unfavorable for early lambing in the native sheep States this past spring.

At this time little information is available as to the probable size of the 1941 lamb crop. However, the total United States lamb crop has not fluctuated greatly during the past 10 years, and no marked change in the 1941 crop from that of 1940 seems likely.

Slaughter supplies of sheep and lambs during the remainder of the spring lamb-marketing season (to December 1) may be a little larger than a year earlier. The increase in the 1940 lamb crop over that of 1939, however, may not be fully reflected in

increased slaughter this fall. Most of the increase in the crop was in Texas, and a large proportion of Texas lambs usually is held for marketing the following spring as yearlings. The effect of any increase in marketings over a year earlier upon lamb prices this fall will be offset or more than offset by stronger consumer demand for meats this fall than last.

Present indications point to the feeding of fewer lambs in the Corn Belt and in the Western States this fall and winter than were fed last season. Although range conditions deteriorated somewhat in late summer, it is likely that the number of lambs marketed as feeders will be smaller this fall than last. The total supply of feed grains in the Corn Belt also will be a little smaller than it was last fall and corn prices may be a little higher. Returns from lamb feeding operations were for the most part unfavorable last year, and this also will tend to hold down the number fed in the Corn Belt this fall and winter. Feeding operations in the important Colorado and western Nebraska lamb-feeding areas are expected to be reduced this fall and winter because of materially smaller feed production in those areas this year than last. If consumer demand conditions continue to improve, lamb prices during the fed-lamb marketing season (December-April) may average a little higher this year than last.

Outlook For Feeds

TTOTAL acreage seeded to feed grains in 1941 may not be changed substantially from the 1940 acreage. Largely as a result of the Agricultural Adjustment Program, corn acreage during the 3 years 1938-40 was about 51 million acres below the 1928-32 average, and the combined acreage of other feed grains was 5 million acres below this average. If the in-

crements to cooperating next year are similar to those in 1940, farmers are likely again to restrict acreage to about the level of the past 3 years.

Corn yields have averaged somewhat higher in recent years than during the period 1928-32, as a result of favorable weather and an increased area seeded to corn hybrids. This

year about 25 million acres in the Corn Belt, or over 50 percent of the acreage in the 12 North Central States, were seeded to hybrids. Some further expansion is in prospect for next year, and if 1941 growing conditions should be about the same as the average for the past 4 years yields will continue high.

If the 1941 acreages of feed grains are about as indicated above, and yields of corn and other feed grains are as high as the average for the past 4 years (1937-40), production would be large enough to furnish adequate rations for the expected number of livestock to be fed during 1941-42. The carry-over of oats on July 1, 1941, and the carry-over of barley on June 1, 1941, may be a little larger than the carry-overs of these grains in 1940. The carry-over of corn on October 1, 1941, however, is expected to be somewhat smaller than the carry-over this year.

Prices of feed grains may continue high relative to livestock prices during most of 1941, but the relationship may tend to become more favorable to livestock feeders later in the year if livestock production is reduced, as now appears probable.

Feeding ratios were unusually favorable for livestock feeders during 1937-38 and 1938-39 and producers of cash feed crops were at a relative disadvantage compared with feeders of livestock. With a comparatively small oats crop in 1939, however, and with a large quantity of corn going under seal, feed grain prices advanced relative to livestock prices during 1939-40, and during the first half of 1940 feeding ratios were less favorable to livestock producers than at any time since 1937. Ratios will probably continue somewhat less favorable to livestock producers during the coming year than during 1937-38 and 1938-39, as the loan program is expected to maintain corn prices and may give some indirect support to prices of other feeds.

SUPPLIES of feed grains and feed-stuffs for the coming feeding season will again be unusually large relative to the number of livestock to be fed. The corn supply is now indicated to be about 2,897,000,000 bushels. Of this supply it is expected that around 430 million bushels will be sealed for loan or held by the Government on October 1, which would leave less than 2,500,000,000 bushels of unsealed corn. The total supply in 1939-40 was 3,192,000,000 bushels, of which 254,000,000 bushels were sealed on October 1, leaving 2,938,000,000 bushels unsealed. During 1939-40 an additional 301 million bushels of 1939 corn were sealed during the marketing year. In early October the 1940 corn crop was safe from frost damage throughout practically the entire Corn Belt. The percentage of soft corn is expected to be small. The quality of the crop will be good, but not so good as in 1939.

The loan program for 1940 has not yet been announced, but it now appears probable that the loan rate will be about 61 cents, or 4 cents higher than last year. Since corn prices are considerably higher than a year ago and available crib space is limited, the quantity sealed is expected to be somewhat smaller than in 1939-40.

Supplies of other feed grains for 1940-41 are somewhat larger than last year, and the total feed supply, including stocks of oats July 1, stocks of barley June 1, and prospective stocks of corn October 1, plus production of the four feed grains is 115.0 million tons compared with 117.8 million tons last year.

The number of grain-consuming animal units on farms January 1 is expected to be around 132 million, as compared with 136.7 million on January 1, 1940. The supply of feed grains per grain-consuming animal unit, on the basis of these figures, will be a little larger than the large supply last year and much larger than the 1928-32 average. Excluding the quantity of

corn sealed on October 1, the supply per animal is about 4 percent smaller than the corresponding supply for last year, and about the same as the 1928-32 average.

THE large quantity of corn sealed in 1939-40, together with comparatively small supplies of other feed grains, resulted in advancing feed grain prices and relatively unfavorable feeding ratios during the first half of 1940. Since the Ever-Normal Granary program provides for the carrying of relatively large stocks of corn, and with the loan rate probably a little higher for 1940 corn than for 1939 corn, it is now expected that corn prices, during the first half of 1941 will be higher than in the corresponding months of 1940. Prices of oats and barley in the first half of next year may average lower than those of a year earlier. After the middle of 1941 prices will be influenced primarily by prospects for the 1941 production.

Disappearance of corn during 1940-41 will probably be somewhat smaller than during 1939-40. This may be offset in part by some increase in the disappearance of other feed grains. On the basis of prospective reductions in the quantities of various types of livestock and livestock products produced during the next year, it now appears likely that consumption of corn may be considerably smaller in 1940-41 than in 1939-40. In this event, the carry-over of corn would again be large, although it would be somewhat smaller than in 1939-40, and may be less than 500 million bushels. This would be the first time since 1936-37 that disappearance of corn during the marketing year was larger than production.

PRODUCTION of wheat millfeeds during the coming year may not

be greatly different from the 1939-40 production, but the volume imported is expected to be reduced. The supplies of high protein feeds, on the other hand, may be a little larger next year, as a result of prospective increases in supplies of linseed cake and meal and soybean cake and meal.

Hay supplies are again large relative to the number of hay-consuming animal units on farms. The total tonnage of hay is now estimated at 104 million tons, or about the same as in 1938, when the supply was the largest since 1927. The carry-over of hay into 1940-41 will probably be somewhat above average, and may be nearly as large as the large carry-over at the beginning of the 1938-39 marketing year. The acreage of hay in 1941 will probably again be comparatively large, since farmers can gain in total income by cooperating with the Agricultural Adjustment Program and maintaining a large acreage of forage crops. In this event, and with favorable weather, supplies of hay and other forage crops will continue large relative to livestock numbers.

THE effects of the national defense program upon the feed grain situation during the coming year will be largely indirect. Improvement in domestic consumer demand and increases in the general price level resulting from the program will be supporting factors to feed grain prices. * * * Exports or imports of feed grains are expected to be of little significance in 1940-41. Supplies of all feed grains are estimated to be adequate for livestock to be fed. No imports are in prospect. Exports of corn and other feed grains are expected to be small, unless an export subsidy program for corn, similar to that of this year, is adopted.

The Outlook For Wheat

INDICATIONS are that the acreage seeded to wheat for harvest in 1941 will be about the same as in 1940. Wheat prices in the United States are expected to continue above levels in competing exporting countries. If we should harvest another large crop, or Government loan and export subsidy programs are abandoned, domestic prices might adjust more in line with prices in competing countries.

The acreage allotted for seeding the 1941 crop under the Agricultural Adjustment Act is 62 million acres. This is the same as the allotment for the 1940 crop, when actual seedings totaled 64.4 million acres. If the total wheat seedings for harvest in 1941 are about the same as this year, and average yields are obtained, production will total about 750 million bushels. This would leave about 50 million bushels for export or addition to carry-over at the end of the season, after deducting domestic disappearance of about 700 million bushels. On this basis, the carry-over at the close of the 1941-42 season would be little different from that at the beginning, when it is expected to be 325 million bushels or more.

THE annual average yields per seeded acre in the United States usually vary between about 10 and 14 bushels. A 10-bushel yield on an acreage the same as this year would result in a crop about 50 million bushels short of average annual domestic disappearance and thereby reduce the moderately large carry-over. While average yields usually vary only between 10 and 14 bushels per seeded acre, in exceptional years yields have been very small as a result of severe winter kill and drought. Even with a small crop, ample supplies of milling wheats for the year beginning July 1, 1941, are assured because of large carry-over stocks in prospect at that time.

A yield of 14 bushels per seeded acre would result in a crop materially above domestic disappearance and export probabilities, and would add to the carry-over stocks. In the latter event, the carry-over at the close of the 1941-42 marketing season might possibly be increased by about 150 million bushels, depending upon export opportunities. Present indications are that insect pests will affect the coming crop to about the same extent as they did the 1940 crop. Somewhat more than normal grasshopper and chinch bug injury may again occur in the North Central States, while injury from hessian fly and other insects is likely to be about normal or less in all areas.

WORLD acreage in 1941 may not be greatly different from the 275 million acres in 1939. War activities are not expected to have much effect on the acreage in Europe. The acreage for the 1940 crop was reduced largely as the result of unfavorable weather for both fall and spring seeding and also above normal winter kill. If weather should be more normal it is probable that the 1941 acreage may be increased compared with the 1940 crop, possibly equalling or even exceeding the 1939 acreage. It is too early to appraise the probabilities for the 1941 Canadian wheat crop or the 1940-41 wheat crops in Australia and Argentina, but there is little reason to expect a material reduction in the total acreage for these countries from the 1939 levels, the last year for which complete figures are available. Average yields on 275 million acres would result in a crop almost equal to probable world consumption, and thus would not significantly reduce the large world carry-over stocks.

Unless the acreage is materially smaller than is now expected, or yields per acre are small, large world supplies will continue during the 1941-42 sea-

son. Wheat prices in the United States, on the other hand, are expected to remain independent, to a considerable extent, of prices in other countries. A large crop, or abandonment of the loan and export subsidy programs, however, would probably cause domestic prices to be more dependent upon the factors which affect prices in

other countries. The large quantities of wheat held under loan in 1938-39 and 1939-40 operated to support domestic prices. With prospective large supplies in other surplus producing countries, exports from the United States in 1941-42 are expected to be of only moderate size—even with a subsidy program.

World Cotton Supply Increased

WORLD supply of cotton for the 1940-41 season will be a little larger than the near-record 1939-40 total of almost 49 million bales. Tentative estimates of stocks carried over and of the new crop indicate a supply probably one-fifth to one-sixth larger than the 1928-37 average. Slightly more than half of the indicated supply, or approximately 25 million bales, will be of so-called "American" or United States-grown cotton. The supply of American, about half of which is cotton carried over from the previous season, is about the same as in each of the last 2 seasons. It is only 1 million bales less than the record high of 1932-33, and 3 million bales larger than the 1928-37 average.

Largely because of restricted export outlets, the pressure of the near-record supplies on prices is greater this season than last. Practically all of continental Europe (excluding Russia), where in the 5 years ending July 1939 consumption of imported cottons averaged roughly 5 million bales including 2½ million bales of American, is cut off from exporting countries by the British blockade. If the blockade is continued, little cotton will be imported into this important consuming area during the current season. This, together with less favorable consumption prospects in Japan, China, and Great Britain, will materially reduce world exports and consumption.

These conditions, and wide price disparities between American and the

more important competing foreign cottons in most of the accessible markets, reduced exports of American cotton in August and September of 1940 to 140,000 bales. This was about 85 percent less than a year earlier and the smallest for the period since 1879. Total exports for the 1940-41 season even one-fourth as large as last season would require a greatly accelerated annual rate of shipments for the remainder of the marketing year. Through a reduction in stocks, foreign consumption of American cotton may possibly exceed domestic exports by 1 or even 1½ million bales.

THE shock of the loss in export markets for American and foreign cottons is being cushioned by the United States Government's loan program. With about 8½ million bales of Government financed stocks as of September 30 inaccessible to cotton merchants and spinners at existing prices, domestic prices were being supported at about the 1940 loan rates. These rates are for the most part from 0.21 to 0.35 cents higher than the 1939 rates. With the higher loan rates and prospects for larger United States consumption, domestic prices averaged a little higher in early October than a year earlier. Prices were only slightly higher than the average for 1937-38 and 1938-39 when, except for 1931 and 1932, prices were the lowest since the beginning of the World War in 1914. If prices continue about as

in early October, the considerably larger indicated production would give cotton producers an 8 to 10 percent larger return from cotton this season than last. Such returns, however, would be about one-half of the average for the decade of the 1920's.

In contrast with the prospective sharp decline in exports and foreign consumption, consumption prospects in the United States are exceptionally favorable. Under the stimulus of the defense program, domestic business activity, employment and pay rolls are expected to average considerably higher than in 1939-40 when industrial production reached a new high. This should stimulate consumer purchases of cotton clothing and household goods. Also Government purchases of cotton textiles, including those for national defense, will be much larger than in the previous season. Furthermore the expanded Government cotton products export payment program and reduced competition from European textiles should result in a substantial rise in exports of cotton textiles. In view of these developments, and reasonably small present stocks of cotton goods, domestic mills seem likely to consume considerably more than 8 million bales of cotton during the year ending July 1941. Consumption may total 8½ to 8¾ million bales, particularly if Government purchases for defense purposes should be as impor-

tant as some observers believe. Consumption totaled 7½ million bales last season. The record high was in 1936-37 when nearly 8 million bales were processed.

REDUCED consumption in foreign countries is expected to much more than offset the increase in the United States. It may reduce world consumption in 1940-41 to the lowest level since the early 1930's. This and the indicated 1940 crop is likely to give a world carry-over on August 1, 1941 materially larger than the 20½ million bales in 1940 and somewhat larger than the record high of 22¾ million in 1938. Even with a substantial reduction in next year's world crop, therefore, the 1940-41 supply of raw cotton might again be only a little below the 50 to 50½ million bales record of 1937-38 and 1938-39. With no reduction in production, next season's world supply probably will reach a new high. On the basis of the October crop estimate and with a continuation of the war about as in early October, the August 1941 world carry-over of American cotton may approach or even exceed the 1939 peak of more than 14 million bales. All but about 1 million bales or less of the American cotton carried over is likely to be in the United States, most of it owned or held as collateral by the United States Government.

Tobacco Outlook For 1941

THE tobacco outlook continues to be clouded by the uncertainty surrounding important export outlets for some types, especially for flue-cured, dark fire-cured, and dark air-cured types. Tobacco types not so markedly dependent on export demand continue to indicate roughly the same future trends as were in evidence last year. Southern Maryland tobacco continues to show a satisfactory

market outlook. Until recently, the Burley outlook was marked by the increase of stocks over 1939 levels, but the prospective smaller 1940 crop will help to bring supplies more in line with disappearance. Cigar tobaccos indicate about the same outlook as last year for wrapper, with further decreases in stocks of filler and binder types in the face of probable slightly increased consumption.

The export situation at the beginning of October finds the continent of Europe temporarily closed to our exports of dark tobacco and Maryland leaf, and the prospect for flue-cured exports is highly problematical. Great Britain, the most important purchaser of flue-cured, continues the tariff preference to Empire-grown leaf, and there is no likelihood of any immediate change in this policy. Largely as a result, the production of flue-cured leaf in the colonies and Dominions has been steadily increasing, and there are factors which indicate a continuation of this trend. Together with lower prices for some leaf, this has induced an increasing percentage of Empire-grown leaf in total British home consumption of tobacco.

The rate of increase in consumption of Empire tobaccos, declining in recent years, seems again to be up, due largely to the need of conserving foreign exchange resources derived from non-Empire areas. Since it appears that total tobacco consumption in 1941 is to be cut to about 90 percent of that during the year ending March 31, 1940, and an admixture of 4 percent of Turkish and Greek tobaccos is in prospect, the outlook for exports of American flue-cured is further weakened. British stocks of American flue-cured tobacco must be replenished over the next few years. However, they may never return to the old level, and British imports during these years may be spaced during the period in unpredictable ways within fairly broad limits. Our next most important export outlet for flue-cured is China, and next year this will probably show a decline from the relatively high levels of the last 2 years.

NEXT year the total consumption of tobacco in the United States should show an increase, possibly as great as in 1939. As is usual during

periods of increasing industrial activity, there will probably be some shifting to the higher priced grades of each product; equally important, there will be some shifting in the proportions of the various products used. Cigar consumption probably will continue to rise at about the 1939-40 rate. Chewing tobacco may decline slightly. Cigarette consumption, already on a high level, should be maintained if not increased.

Flue-cured tobacco is particularly affected by the export situation. The growers' referendum of July 20, 1940 approved continuation of marketing quotas for the 3-year period 1941 through 1943. This will probably result in crops of about 600-700 million pounds for the next few years. The decrease in production will help pull down the large bulge in stocks resulting from the record 1939 crop which coincided with the cessation of most of the British export demand. Improved domestic demand should also aid in bringing the situation under control. However, compared with the 1934-39 period, the outlook for cash income from tobacco for flue-cured growers as a whole is unfavorable for the coming year. As an illustration of what probably lies ahead, although prices this fall average distinctly higher than last year, the curtailed production necessary to bring the market situation under control will result in cash income markedly below that of 1939.

UNFAVORABLE weather conditions, particularly in the northern part of the burley area, materially altered the outlook for burley during the last few months. The final size and condition of the crop is still uncertain, but, it seems clear that production will fall below disappear-

ance, and next year will probably see a return to a more normal situation. * * * Fire-cured and dark air-cured tobaccos, because of increases in stocks for some types for the second successive year and the virtual closing of the continental European market after June 1940, are in an unfavorable position.

Maryland tobacco should present a satisfactory picture. Danger might ensue from a considerable increase in production based upon this year's prospective highly improved growers' income. Increased production would not be warranted in view of the closing

of export outlets in Europe that from January through May 1940 took about 1,168,000 pounds of Maryland tobacco, and during June and July took not a single pound. * * * The outlook for cigar types as a whole, still uncertain at this early date, should be further improved next year over the relatively satisfactory situation in 1940. Consumption increases are likely, and the stocks situation during coming months should place the crops in a definitely favorable light. There are indications of an impending shortage of desirable grades of Pennsylvania filler.

Horses and Mules

FURTHER moderate decreases in the number of horses and mules on farms are expected in the next few years, as the tendency toward replacement of work stock by tractors continues. No marked increase in prices of horses and mules seems probable next year. Although a smaller number will be available, the outlet for horses probably will continue restricted. Exports of horses have not been and are not likely to be stimulated by the European war. It is probable, however, that purchases of horses by the United States Army will increase somewhat in the next year under the National Defense Program. Larger purchases of tractors and related equipment for military purposes may be accompanied by advances in prices of tractors to farmers. Such developments probably will prevent further declines in prices of horses and mules during 1941.

Prices of horses and mules have declined steadily since 1937. In the first half of 1940 prices were lower than at any time in the past 5 years, al-

though they continued much higher than in the 1930-34 period. Part of this decline, perhaps much of it, can be attributed to increased tractor competition. Sales of tractors in the United States increased from 144,000 in 1938 to 179,000 in 1939. The proportion of small, high-speed, single-plow type of tractor sold has increased during the past 2 years, and such tractors are replacing horses on small farms.

The number of horses and mules on farms on January 1, 1940, amounting to 14.9 million head, was about 260,000 head smaller than a year earlier. The total number of horse and mule colts raised in 1939 was slightly larger than in 1938 but not as large as in 1937. Colt production, however, is well below the number of animals needed to replace old work stock. The number of mule colts raised increased materially in both 1938 and 1939, but the number of horse colts declined in both years. Sleeping sickness among horses apparently has been less prevalent in 1940 than in either 1938 or 1939.

Fats, Oils, and Oilseeds

DOMESTIC demand for food and soap fats, and for drying oils, is expected to be stronger in 1941 than in 1940, mainly as a result of increased industrial and building activity arising in part from the defense program. But if the British blockade of continental European markets is continued, abnormally large supplies of such foreign items as coconut oil and copra, palm oil, palm kernels, and flaxseed will be available for shipment to the United States. Under such circumstances, any rise in prices for domestic fats and oils would be limited by increased imports. Nevertheless, some improvement in prices for lard, tallow, and greases seems to be indicated on the basis of the prospective domestic supply and demand situation.

Production of fats and oils in the United States for the calendar year 1940 apparently is the largest for all years on record. Factory production during the first 6 months of the year was reported to be 11 percent greater than in the corresponding period of 1939. Lard, inedible tallow, greases, and soybean oil accounted for most of the increase.

PRICES of most domestic fats and oils during 1940 have been low in comparison with those for the past 5 years, not only because of increased production but also because of reduced exports for lard brought about by the growing competition from hardened vegetable and marine oils in European markets in recent years, the present restrictive nature of British buying policy, and the blockade of most of continental Europe. Lard prices in 1940 have been the lowest since 1933, and tallow and grease prices have been the lowest since early 1934.

Supplies of domestically produced fats in 1941 are expected to be somewhat smaller than the large supplies of 1940. Lard and grease production, as a result of a reduction in the pig

crop in 1940, probably will be substantially smaller than a year earlier, and tallow production also may be reduced. Production of soybean oil and peanut oil, on the other hand, is likely to be increased. The total supply of cottonseed oil probably will be little changed, with increased production being about offset by reduced stocks.

Imports of fats, oils, and oil-bearing materials have been smaller so far in 1940 than a year earlier, chiefly because of the prevailing large supplies and low prices for domestic fats. Even though supplies of oils and oilseeds in exporting countries are very large, no material increase in imports seems likely so long as prices for domestic fats continue low.

THE supply of cottonseed for the 1940-41 season is estimated at 5.7 million tons compared with 5.4 million tons a year earlier, and 6.2 million tons, the average for the 10 years 1928-37. Mill stocks of cottonseed on August 1 amounted to only 39,000 tons, less than a third of the quantity on hand a year earlier. But production of cottonseed, as indicated by conditions September 1, is expected to total about 5,671,000 tons, or more than 400,000 tons larger than in the 1939-40 season. Present indications are that prices of cottonseed may not average quite as high this season as last, when prices rose sharply during the fall and early winter months.

Despite the increased production of cottonseed, the supply of cottonseed oil probably will be no greater this season than last. Mill stocks of oil (crude basis) on August 1 were approximately 100 million pounds less than a year earlier. And the increase in oil production, assuming that about the same proportion of the total seed supply will be crushed as in the 1939-40 season, probably will not be in excess of this amount.

The peanut-diversion program probably will be conducted on a more extensive scale in the 1940-41 marketing season than a year earlier, since the 1940 production of peanuts, estimated at 1,511 million pounds on the basis of conditions September 1, is expected to be more than 300 million pounds larger than in 1939 and will be the largest on record. With the diversion program and improved demand for peanut products, peanut prices in 1941 are likely to be maintained near the relatively stable level of recent seasons, despite increased marketings.

Because of poor yields, the soybean crop for 1940 is indicated to be slightly smaller than the record crop for 1939. But domestic crushings in 1941 are expected to be larger than a year earlier, mainly because of the loss of export outlets resulting from the blockade of continental European marketings. Approximately 11 million bushels of soybeans were exported in the 1939-40 marketing season, chiefly to the Netherlands and Scandinavian countries. Total supplies of soybean oil and meal in the United States in 1941 probably will be larger than in 1940. But prices of soybeans and soybean products will be supported by the improvement in general demand conditions and by the prospective reduction in lard supplies.

UNITED STATES production of flaxseed for 1940, estimated at 30.7 million bushels, is the largest since 1924 and is greater than total crushings of domestic and imported seed in the 1939-40 marketing year. Some increase in crushings is anticipated for the current season, in view of the rising trend in building activity and the consequent improvement in demand for linseed oil for use in paints. The domestic supply (production plus stocks) of flaxseed in the current

season is expected to total more than 34 million bushels, which probably will leave little room for imports. Net imports of flaxseed amounted to 13.2 million bushels in the 1939-40 season compared with 18.7 million bushels a year earlier and 16.4 million bushels, the average for the previous 10 years. Imports in 1940-41 may not total more than 6 million bushels.

Although supplies of flaxseed in Argentina and Uruguay are now seasonally small, the usual export markets, aside from the United States, are largely cut off by the British blockade. If the war in Europe is continued, South American supplies of flaxseed are likely to become burdensome next winter when the new crop is harvested.

Further improvement in domestic demand for paints is in prospect for 1941. But the effect of this improvement on prices of both flaxseed and linseed oil is likely to be outweighed by developments in Europe. A continuation of the war, with restricted demand for flaxseed on the Continent, probably would mean that prices would remain low. The re-opening of continental European markets to world trade, on the other hand, undoubtedly would be accompanied by some advance in prices.

LOOKING beyond 1941, it seems probable that unless commodity prices generally score sharp advances the prices of domestic fats and oils will continue at a relatively low level so long as continental European markets remain closed to world trade. Although prices undoubtedly would be stimulated by a reopening of European markets, the advances probably would not be long maintained, since world productive capacity for fats is now at a high level and may be expected to increase in the future.

The Dairy Outlook For 1941

THREE factors stand out as of particular importance in the outlook for dairymen for the coming year: (1) A widespread tendency for farmers to increase the number of milk cows. This trend has been in progress for over 2 years and promises to continue further; (2) prospect for a moderately higher level of industrial activity, consumers' income and wholesale prices in 1941 than in 1940; (3) prospect for an increase in exports of manufactured dairy products and a sharp curtailment in imports of cheese.

Production of milk in 1941 will probably be somewhat larger than the peak production in 1940, provided pastures and feed production in 1941 are about average or better. Improvement in demand is expected to offset the effect of larger production on prices, so that prices of dairy products in 1941 may average as high as and possibly somewhat higher than in 1940. Thus, the outlook is for a moderate increase in income from dairy products.

DRUGHTS in 1934 and 1936 and the low prices of cows caused many farmers to reduce their dairy herds. The number of milk cows was reduced 8 percent, from January 1, 1934, to January 1, 1938. But in the last 3 years the trend has been upward. By January 1, 1941, the number of milk cows on farms is expected to be about 25,800,000 head. This would be the largest number since 1935, and exceeded only during the 3 years 1933-35. This number of cows is high in relation to other years, but not unusually high in relation to the number of people.

More striking has been the increase in the number of heifers. On January 1, 1940, the number of heifers 1-2 years old was 6 percent larger than a year earlier and 11 percent larger than 2 years earlier. By January 1, 1941, the number of heifers is expected to be about 5,400,000 head. This is about

the same as the peak a year earlier, and is high in relation to the number of cows. The number of heifer calves being saved for milk cows on January 1, 1941, is expected to be about 5,700,000 head. Heifers of this age ordinarily would be added to milking herds in 1942. The number of young stock is more than enough to provide for ordinary replacements for dairy herds in 1941 and 1942.

The actual increase in cow numbers will depend to a large extent on the rate of culling. In areas where a considerable proportion of the cows milked are of dual-purpose type, there may be some shifting of cows from a milk cow to beef cow classification, depending on the relative prices of beef and butterfat. Prices of beef cattle have been high in relation to prices of butterfat during the past year. Supplies of feed grains and byproduct feed per animal unit are relatively large for the coming feeding period. Hay supplies per animal unit are also above average.

DURING the 1939-40 out-of-storage season (September 1 to May 1) milk production per cow averaged 13.15 pounds per day. This was about the same as the peak production for that period in 1938-39. For the coming winter feed supplies are ample, prices of milk and butterfat have been about average or above in relation to prices of feeds, and somewhat higher than a year earlier in relation to prices of meat animals. It seems probable that milk production per cow during the coming feeding period may be about as large as the preceding high for that season of the year. With the increase in the number of cows this would indicate an increase of about 2 percent in total milk production to a new peak for this period.

Milk production on farms in 1939 was estimated to be 108.6 billion

pounds. This was about 1 percent above the preceding high in 1938. For 1940 production will probably be about 110 billion pounds or 857 pounds per capita. Production per capita in 1940 is about the same as the preceding peak in 1933 but about 4 percent above the 1924-29 average. It seems probable that with increases in the number of milk cows, the trend in milk production will continue gradually upward as long as feed supplies are ample. With ample feed supplies the outlook is for milk production per capita during the next year or two to be about as high as ever reported.

PRICES of the principal dairy products during the summer of 1940 averaged considerably higher than in the summer of 1939 and in many cases the highest since 1937. The improvement in prices during the past year was due primarily to the higher level of general business activity and consumer incomes, and in part to the lower level of storage stocks. During the coming year a higher level of business activity and a moderate increase in the general price level, due in large part to the defense program, are in prospect. Those developments will stimulate the domestic demand for dairy products and will tend to raise prices.

Consumption of ice cream is affected more by changes in urban prosperity than the consumption of any other dairy product. During 1940 the production of commercial ice cream has probably exceeded the previous high in 1939. Further increases appear in prospect. Consumption of fluid milk and cream is also affected by changes in consumer incomes, but to a much smaller extent than ice cream. During the depression of the early 1930's fluid cream consumption declined much more than milk.

Receipts of fluid milk at the principal eastern markets indicate that consumption in these markets in 1940

was somewhat higher than in the pre-depression period in 1929-30. Cream consumption however has not recovered to the 1929-30 level. A higher level of consumer incomes in 1941 might be expected to result in some increase in fluid milk and cream consumption. In many markets there is a relatively wide spread between retail prices of evaporated milk and fresh milk and cream. This spread may retard increases in the consumption of fluid milk and cream.

In the past decade there have been marked increases in the consumption of the principal manufactured dairy products. Evaporated milk and cheese have shown the most striking increases. Some further expansion in total consumption is in prospect.

THE war in Europe has brought about a marked expansion in our exports of manufactured dairy products, particularly concentrated milks. Further increases in 1941 are expected. In the period 1914-18 British imports of butter were greatly reduced, cheese imports showed relatively little change, while imports of canned milk expanded greatly. In the present situation British Dominions can supply large quantities of butter and cheese. Prior to the outbreak of the European war, however, the Netherlands and Denmark were the leading countries in exports of canned milk. With exports from these countries cut off, the United States has become the principal exporter. Our exports to Great Britain, also to nonbelligerents, have increased. This is likely to continue.

Changes in exports however are of minor importance to dairymen, as compared with the general trend of prices, employment, and pay rolls in this country. It is the improvement in the domestic market that is the basis for moderate improvement in the dairy outlook.

The Fruit Outlook For 1941

A HIGHER general level of consumers' income in 1941 compared with 1940 is a favorable factor in the outlook for fruit crops produced in the United States. But the almost complete loss of export outlets for most fruits and fruit products will offset to some extent this improvement in domestic demand. It appears that a greater portion of the Nation's fruit crops and products for both 1940 and 1941 will have to be marketed in the domestic market or disposed of through some kind of diversion program. It is also probable that some of the costs of packaging and marketing will be trimmed in order to narrow the spread between consumer and grower prices. The total cash income from fruit production in 1941 probably will be substantially higher than in 1940 and perhaps the highest in the last 10 years.

Although it is impossible to determine at this time what the size of the Nation's fruit crop will be in 1941, the probabilities are that it will be somewhat larger than in 1940 when relatively short crops of deciduous fruits were produced. Combined production of eight major deciduous fruit crops (peaches, pears, grapes, cherries, plums, prunes, apricots, and commercial apples) in 1940 is indicated to be about 13 percent smaller than in 1939 and 1 percent below the 5-year (1934-38) average. Prospects point to materially larger crops of citrus from the bloom of 1940 than from that of 1939. Average growing conditions in 1941 probably would result in increased output of the deciduous fruits and the trend of citrus production is sharply upward. Barring an unfavorable growing season, heavy frost, freezes, storms, etc., therefore, the prospect is for larger total fruit production in 1941 than in 1940.

DURING the 1939-40 season fresh fruit exports were reduced materially by the war in Europe. There

was a good movement of dried and canned fruits into export channels until the spring of 1940 when the expansion of hostilities into western Europe cut off most of the foreign outlets. During the summer of 1940 the export movement of all fruits and products was near the lowest on record, and there is little prospect for recovery at least until the war is over. Great Britain, the principal outlet for canned fruits and an important outlet for fresh and dried fruits, has restricted imports through import licenses and exchange controls, and there is little prospect that these will be removed in the near future.

In the period July 1939 to June 1940, exports of fresh apples from the United States decreased 73 percent, fresh pears 46 percent, oranges 49 percent, grapefruit 36 percent, and lemons 30 percent, from those of 1938-39. Exports of dried apples in the same period were down 47 percent, dried prunes 44 percent, raisins 17 percent, and all dried fruit 31 percent. The export of dried apricots increased slightly. Since the restrictions on imports of canned fruits into Great Britain were not effective until the spring of 1940, the export of these products from the United States during 1939-40 decreased only about 4 percent from that in 1938-39.

Normally exports of all fruits—fresh, dried, and canned, on a fresh-fruit basis—comprise about 11 percent of total production. From the standpoint of the fruit industry as a whole this does not appear to be a very large proportion, but from the standpoint of certain fruit crops—such as those for which the principal market outlet is the dried fruit trade, exports comprise about 40 percent of the pack. Exports also comprise a significant proportion of the pack of certain canned fruits. It is probable that the increase in consumer purchasing power in 1941 will be sufficient to offset the

unfavorable effect of losses in the export outlet for fresh fruits and to a large extent for canned fruits, but not for dried fruits. For this reason marketing programs are being developed which will provide for the diversion of large quantities of dried fruits to other than normal trade channels.

THE long-time outlook is for continued expansion of fruit production in the United States unless severe freeze and storm damage or a tree-pulling program results in a reduction of bearing-tree numbers. With average growing conditions apple production may be expected to decline slightly, but citrus production is likely to continue to expand during the next 5 years. A large proportion of the orange, grapefruit, and lemon trees has not yet reached full bearing capacity and a small new acreage is being planted each year. The general level of production of peaches and pears probably will show a slight increase during the next 5 years and cherry production is likely to expand further. Recent plantings indicate that grape production in California probably will continue to increase.

This prospective increase in fruit production is a continuation of the trend of the last 2 decades. The volume of fruit production during the five seasons 1934-38 averaged about two-fifths larger than that of the 5-year period 1919-23. During this period the trend of apple production was

moderately downward, while orange and lemon production was about doubled. The grapefruit crop in recent years is about four times as large as the 1919-23 average. Significant increases also occurred in the production of grapes, pears, apricots, strawberries, cherries, and plums and prunes.

Under the pressure of these increasing supplies, fruit prices failed to recover as much from the depression lows as other agricultural prices, and the prices of those fruits having the largest production increases show the smallest gains. In fact, prices of certain fruits, the citrus fruits for example, the production of which has increased tremendously, were lower in 1938-39 than during the depression period. In such cases the influence of the upward trend of production more than offsets the influence of the recovery in consumer purchasing power. Because of the nature of the demand for all fruits combined, however, the total cash income received from fruit production has increased in recent years. As a general rule, year-to-year changes in the size of the total fruit crop have little influence on the amount of cash income received from fruit production. But as consumer purchasing power rises or falls cash income also rises or falls. It is probable, therefore, that with a higher general level of consumer purchasing power next year there will also be an increase in the cash income from fruit production.

The Vegetable Outlook For 1941

WITH a general rise in consumer purchasing power in prospect for 1941, producers of potatoes, sweet-potatoes, and truck crops in the United States may expect to receive larger incomes from the production of these crops than were received in the last several years. Increased plantings

of most of these crops are in prospect for 1941, but it is probable that the effect of this on prices generally will be more than offset by the improvement in demand. It is probable therefore, that prices received by producers of most of these crops will average slightly higher in 1941 than in the

last few seasons, and that the improvement in incomes will be greater.

For the country as a whole the acreage of potatoes and truck crops for market may be increased only slightly, whereas that of truck crops for processing and of sweetpotatoes may be increased moderately. These changes in acreages are expected to occur largely as a result of the changes in the level of prices received for the 1940 crops compared with those of the previous years.

It is probable that the United States potato acreage will be increased slightly in 1941 over that planted in 1940. An increase in plantings in the early States is expected to be largely offset by a decrease in intermediate States. On the basis of the present price prospect for the late 1940 crop, it is probable that the acreage planted in the late States in 1941 will be increased slightly over that planted in 1940. The slightly larger plantings for the country as a whole with yields equal to the average of the last 4 years, would result in a total United States potato crop about the same as the 383 million bushels indicated for 1940.

A slight increase in plantings of sweetpotatoes is in prospect for 1941. The acreage was reduced about 8 percent in 1940, and this reduction, together with a slightly lower yield per acre, resulted in the smallest crop since 1936. Ordinarily the sweetpotato acreage in the South varies inversely with the price of cotton of the previous season, and in the commercial areas directly with the price of sweetpotatoes of the previous season. In 1941 it is probable that the acreage in the South will be little different from that planted in 1940, but in the commercial areas it probably will be increased slightly because of the higher level of prices prevailing in the current season.

THE United States acreage of commercial truck crops for fresh market shipment decreased slightly in 1940

from that harvested in 1939. This decrease resulted largely from the freeze damage and unfavorable growing conditions in the Southern States during the early part of the year. In 1941 it is probable that plantings will be increased slightly and, barring severe weather damage, the total acreage for harvest may be slightly larger than in 1940. The acreage of these crops has increased sharply during the last 2 decades, but it now appears that the upward trend is becoming less pronounced. For the country as a whole it is probable that increases will occur in the 1941 acreage of most of the important truck crops, except perhaps lima beans, cabbage, cauliflower, celery, and watermelons. Because of the relatively high prices received in 1940 for many of the early truck crops, it is likely that the acreage of many of these will be increased substantially in 1941. The acreage of early snap beans, beets, cucumbers, eggplant, onions (Bermuda), peppers, and tomatoes, particularly may be increased materially in 1941.

Although the total harvested acreage of truck crops for market in 1940 was slightly smaller than in 1941, the tonnage of these crops produced was slightly larger. Yields were below average in some of the early-producing sections but in many of the intermediate and late States yields were better than average. Despite the increased tonnage available for marketing, prices and incomes to growers were increased over those received in 1939. These higher prices and incomes resulted largely from an increase in consumer purchasing power. In 1941 a further moderate increase in consumer purchasing power is expected to take place, and probably will result in some further advance in the general level of truck crop prices. For those crops for which production is increased substantially, however, the price rise may not materialize and there may be some declines.

THE acreage and production of truck crops for processing is expected to be increased somewhat in 1941 over that of 1940. The current season marked the first year in the upturn of the "cycle" which seems to have 3 years of increasing acreage followed by 2 years of declines. The acreage and production of these crops in 1939 was at a cyclical low point but there were substantial increases in the major crops for processing in 1940.

Unusually high yields of peas in 1940 resulted in an unusually large pack of about 25.5 million cases, which is likely to result in an increased carry-over in the spring of 1941. This large carry-over may tend to cause canners to contract for a smaller acreage of peas in 1941. Yields of some of the other crops, such as snap beans, sweet corn, and tomatoes, however, were disappointing and it is probable that the statistical position of these products at acreage contracting time in

1941 will be unusually strong. This situation probably will result in some increase in the planted acreage of these crops. Since acreage and production of these crops are usually contracted for in advance of planting time, income therefrom usually varies directly with the acreage and production. It is probable, therefore, that if the acreage is increased in 1941, cash income from production will also increase.

The combined pack of important canned vegetables in 1940 is expected to total about 103 million cases (24 No. 2 cans) compared with 94.9 million cases in 1939. The carry-over from the 1939 pack is close to 11.5 million cases or less than one-half of that of the previous season. It is indicated, therefore, that the supply of canned vegetables for the 1940 marketing season will total about 115 million cases compared with a supply of 120.1 million cases and a total disappearance of about 108.6 million cases in the 1939 season.

Dry Edible Beans

BECAUSE of the prospect of increasing carry-over stocks and declining prices, the acreage planted to dry edible beans in 1941 probably will be decreased slightly from that planted in 1940. A planted acreage about like that in 1938 and 1939, with average abandonment and yields equal to the average of the last 4 years, would result in a crop of 13.6 million bags. This quantity would be about equal to average domestic disappearance for recent years.

An increase in the planted acreage in 1940 of 7 percent resulted largely from a rise in the general level of bean prices occasioned by a strong export demand during the first half of the 1939-40 marketing season. During recent months the export demand has decreased somewhat, and in August bean prices declined rather

sharply. A contributing factor to the price decline was the improvement in the prospect for the 1940 crop.

On the basis of September 1 reports, the new crop is indicated to total 16.1 million bags compared with 14.0 million bags produced in 1939. This crop, plus a carry-over estimated to be about the same as the large carry-over a year earlier, indicates a total supply of close to 18.3 million bags, or slightly more than the total of 17.3 million bags in 1939-40.

THE export outlook for the 1940 season is not as bright as that of the 1939 season. Some foreign markets available to the United States in the first half of the 1939 season have been eliminated by the spread of hostilities in Europe. Also it is

probable that some of the competing producing areas will have larger supplies this season than in 1939. Exports for the 1939-40 season totaled nearly 793,000 bags, compared with 298,000 bags in 1938-39 and were the largest since 1920-21. Also there was a sharp increase in the export of canned beans. Although there were sharp increases in the export movement to northern and western Europe, there were also increases in exports to Western Hemisphere countries, particularly Canada and Cuba. Most of the European markets will be cut off in the 1940 season, so it is probable that the total volume will be reduced

by approximately one-half in the current season.

This loss in exports, together with a slightly increased supply in the 1940 season, is expected to result in a larger carry-over in September 1941 despite the fact that domestic disappearance may be increased somewhat. It is indicated, therefore, that acreage and production of beans in the United States as a whole probably will be curtailed in 1941. Prospects for the individual classes of beans are variable, and adjustments in next year's production probably will be in accordance with the supply situation at planting time.

Wool and Mohair

DOMESTIC wool prices in the next several months will be supported by strong demand for wool in this country. But with imports of wool entering the United States in relatively large quantities, prices of wool in the United States will depend to a considerable extent on prices paid for imported wools. The quantities of Australian and South African wool released for export and the prices fixed for such wools by the British Government will be important factors affecting foreign wool prices.

It is likely that the stimulating effect upon prices of the strong military demand for wools in Great Britain and the United States will be partly offset by the fact that wool supplies available to Great Britain and the United States are now much greater than before the war. With most continental European countries now included in the British blockade, the United States, the United Kingdom, and Japan are likely to be the only important importers of wool so long as the blockade is maintained. Relatively large supplies of apparel wool will be available for United States buyers in Argentina and Uruguay.

Mill consumption of apparel wool in the United States in late 1940 and early 1941 is expected to be considerably greater than a year earlier as Government orders are filled for clothing and blankets purchased for the increasing number of men placed under military training under the Selective Service Act. Prospects for the manufacture of wool goods for civilian uses are rather uncertain. Increases in incomes of consumers and a greater volume of retail trade later this year may stimulate mill consumption for civilian uses to some extent. Even if a decrease in such consumption from last year's level should occur, it probably would be more than offset by increased volume of manufacture for Government orders.

MILL consumption of wool in the United States thus far in 1940 has been somewhat smaller than in the same months last year. But consumption of apparel wool in 1939, totaling 674 million pounds, grease basis, was larger than in any recent year except 1935. Mill consumption declined sharply after October 1939.

The supply of wool in all positions in the United States on September 1 is estimated to be somewhat larger than a year earlier, but the supply is small in relation to probable domestic consumption during the next several months. Mill consumption from September 1939 through March 1940 totaled about 365 million pounds. If mill consumption in the remainder of the 1940 season (to April 1, 1941) is to exceed that of the same period a year earlier by a substantial margin and if stocks at the end of March are to be fairly well maintained, a larger volume of imports of apparel wool will be necessary in the coming 5 or 6 months than was imported in the same months of last season. In the period September 1939 through March 1940 imports of apparel wool totaled 115 million pounds. Imports of apparel wool thus far in 1940 have been larger than imports for the same months of any recent year except 1937.

Prices of wool in this country rose sharply following the outbreak of the European war in September 1939. This rise was brought about by the prospects for a strong war demand for wool in certain foreign countries and the small stocks and relatively high mill consumption of raw wool in the United States. Imports of wool were fairly large in late 1939 and early 1940. The decline in mill consumption after October 1939 was accompanied by a moderate decline in wool prices which continued through the first half of 1940. However, wool prices remained substantially higher than prices prevailing before September 1939.

A further increase in wool prices would give greater stimulus to the use of rayon staple fiber in blends with wool for cloth for civilian use in this country. The domestic production of staple fiber rayon was estimated at 53 million pounds in 1939. (Pro-

duction was less than 5 million pounds in 1935.) In addition, 47 million pounds of staple fiber were imported into the United States in 1939. The price of staple fiber rayon suitable for blending with wool is now much lower than the price of wool on a scoured basis.

MOHAI: Demand for mohair in coming months will be supported by a probable relatively high output of automobiles and by increased demand for medium and coarse wools in the United States. Mohair prices declined moderately in the early part of 1940 but prices continued substantially higher than those prevailing before September 1939. Prices in Texas in the latter part of September 1940 were reported at 45 to 50 cents per pound for adult hair and 55 to 60 cents for kid hair. The bulk of the 1939 clip was sold in Texas at about 40 cents for adult hair and 50 cents for kid hair. As mohair is frequently used for the same purposes as medium and coarse wools, recent higher prices for such wools are a strengthening influence on mohair prices.

Mohair production in 1940 will at least equal, and probably exceed, the 18.7 million pounds produced in 1939. The 1939 production was larger than in any previous year except 1931. Fall range conditions are very favorable in Texas and mohair production in 1941 may increase.

Production of mohair in the United States in recent years has been almost sufficient to fill domestic requirements and imports of mohair have been relatively small. For the period January through July 1940, mohair imports for consumption totaled only about 76,000 pounds. In the calendar year 1939 imports totaled 173,000 pounds and in 1938 they were 106,000 pounds.

Outlook for Poultry and Eggs

PROSPECTS for smaller supplies of poultry and eggs and stronger consumer demand indicate that prices of chickens, eggs, and turkeys will average higher in the first half of 1941 than in 1940. Supplies of eggs during this period probably will be 3 to 4 percent smaller than in the first half of 1940 and supplies of chickens about 5 percent smaller. Supplies of chickens and eggs in the last half of 1941 may be larger than in the like period of 1940. Supplies of turkey meat for the year ending September 1941 may be slightly larger than a year earlier.

With the exception of corn, prices of most feeds used in poultry rations in the coming season will be about the same as or lower than they were a year earlier. The price of corn may be higher, thus the total cost of poultry rations may be about the same as in the 1939-40 season. However, as a result of the expected higher egg prices, the number of dozens of eggs required to buy 100 pounds of poultry ration during the remainder of 1940 and the first half of 1941 may average smaller than in the same periods a year earlier. Individual producers may be able to reduce the costs of poultry rations by substituting some lower priced grains for corn. Other costs of producing poultry products are expected to be about the same in 1941 as in 1940.

Because of the more favorable feed-egg ratio in prospect for the first half of 1941 than in the first half of 1940, the hatch of chicks in 1941 is expected to be larger than in 1940. This may mark the upturn of another 3-year cycle of chick production.

EGG production during the first 8 months of 1940 was about 1.5 percent larger than in the corresponding months of 1939, the increased number of hens on hand more than offsetting the slightly lower rate of lay per hen. Total egg production for

1940 is expected to be the largest since 1931. As a result of the smaller hatch this year than last, the number of hens on farms in January 1941, may be 3 to 8 percent smaller than in January 1940. The rate of lay during 1941 is expected to be about the same as in 1940, since the effects of the more favorable feed-egg ratio may be at least partly offset by the smaller proportion of pullets in laying flocks. Thus total egg production during the first half of 1941 is expected to be smaller than in the first half of 1940. However, because of the expected larger hatch in 1941, total egg production in the last few months of that year may be larger than in the last few months of 1940.

Storage stocks of shell and frozen eggs in the United States on August 1, the peak for 1940, were about 9 percent larger than a year earlier. Most of the increase over August 1, 1939, however, was accounted for by holdings of the Surplus Marketing Association, which will be used for school lunch programs and other relief purposes. Thus private holdings of storage eggs were about the same as those of a year earlier.

BECAUSE of the smaller hatch in 1940 and the smaller number of layers now on hand, farm marketings of chickens (including fowl) are expected to decline relative to marketings of a year earlier, and to average smaller during the remainder of 1940 and the first half of 1941 than in the corresponding periods in 1939-40. Marketings of poultry during the last half of 1941, however, probably will tend to be larger than during the last half of 1940.

Storage stocks of chickens on September 1, 1940, were about 12 percent larger than on September 1, 1939, with most of the increase accounted for by the 61 percent larger stocks of fowl; stocks of young chickens were 25 percent smaller. The into-storage

movement during the remainder of 1940 will tend to be smaller than in the closing months of 1939. Total storage stocks at the end of the year, however, probably will be considerably larger than the 1929-38 average, although smaller than those of a year earlier, and will consist of a larger proportion of fowl than at the end of 1939.

PRESENT indications are that production of turkeys in 1940 will be about 1 percent larger than in 1939. Net returns to growers over production costs may be smaller this year than last since feed costs during most of the growing season in 1940 were higher than a year earlier and turkey prices this fall and winter may be about the same or slightly lower than a year earlier. The outcome of this year's operations will have an important influence on next year's turkey production.

Storage stocks of turkeys on February 1, 1940, were the largest on record and were 25 million pounds or 160 percent larger than the previous record high stocks for the month in 1937. Stocks were reduced by about 44 million pounds between February 1

and September 1 of this year compared with 18 million pounds during the corresponding months of 1939 but stocks on the latter date were still about twice those of a year earlier and were the largest on record. The effects on prices of the larger holdings this year probably will be small, however, since the September 1 holdings were equivalent to only about 4 percent of the total 1939 production.

Prices of turkeys were relatively high in the fall of 1939 but dropped off sharply in the latter part of December and remained low through the spring of 1941. Consequently, the season was relatively unprofitable for storage operations, and storage demand this fall may not be as strong as last fall. However, largely because of increased consumers' incomes this year, it is expected that prices will average about the same or slightly lower than a year earlier during the fall and early winter months. During the spring of 1941 prices may average somewhat higher than in the spring of 1940 since it is expected that consumer incomes will be well maintained at least during the first half of 1941.



Farm Storage in the Ever-Normal Granary

THE farmers of the United States placed about 450 million bushels of corn and about 33 million bushels of wheat in storage on their farms under loans made in connection with the 1939 A. A. A. Farm Program. The storage of these Ever-Normal Granary supplies, probably the largest ever carried over from one crop season to the next, has tested on a broad scale the practicality of farm storage under a variety of conditions.

Corn of the last three crops was kept in excellent condition, although it was subjected to abnormal heat and

moisture conditions. The farm-stored wheat was carried through one of the most severe weevil infestations on record. Practically all of the wheat stored was redeemed by farmers at a profit, and many corn farmers are extending their loans for either 1 or 2 years.

CORN: On last March 31, Corn Belt farmers had about 450 million bushels of corn in farm storage. More than 300 million bushels were 1939 corn; the rest was of the 1937 and 1938 crops.

As of August 1, only a little more than 1 percent of that farm-stored corn graded less than No. 3, the minimum grade at which it was accepted for sealing and the minimum which is acceptable in full settlement of loans if delivered to the Commodity Credit Corporation. Only about one-tenth of 1 percent—less than 600 of 450,000 loans—were called because of damage or threatened damage.

About 60 million bushels of corn which farmers delivered in settlement of loans was placed in Government-owned steel bins at country points last fall and early winter. Some of that corn has since been sold for export and a small amount has been sold to farmers for feeding, but most of it remains in the bins today.

Of the steel bin-stored corn, some of it 3 years old, 97½ percent graded No. 3 or better on August 1, and only four-tenths of 1 percent had been removed from bins because of damage or threatened damage.

In appraising farm storage of corn during the past season, it should be kept in mind that:

(1) All of the corn in the Ever-Normal Granary was of unusually high quality. Yields were high in 1937, 1938, and 1939. Wide use of hybrid seed corn led to great uniformity. Frosts were late enough to permit full maturity. American farmers probably never produced a higher percentage of No. 1 corn than they did in 1939.

(2) Weather during the storage period tested storage facilities to the limit. Winter snowfall and spring rainfall were above normal over almost the entire Corn Belt. Summer heat was generally above normal. Some areas had severe infestations of Angoumois moth, which preys on stored grain.

Proper supervision of farm-stored grain is essential for a successful Ever-Normal Granary. For the corn loans this supervision was provided by county A. A. A. committees and corn sealers appointed by them. In every

county in the commercial corn area there is one or more corn sealers. These men inspect storage space and grain before loans are made and they continue to make inspections through the loan period. Before any loan is made on farm-stored corn, the crib or bin is inspected to assure that it is weathertight and secure against serious damage from rats or other pests. No loans are made on corn grading less than No. 3. Maximum moisture content permitted varies with areas and with types of storage structures, as recommended by the Bureau of Agricultural Chemistry and Engineering.

Damage in some cases has been caused by Angoumois moth and similar pests. This was particularly true last winter and spring, when the damage from these sources was the heaviest on record in some Southern and Southwestern States. In nearly every case, however, inspection revealed these infestations sufficiently early for the bins to be fumigated and the stored grain to be reconditioned. Where it was not possible to retain the grain in storage, the farmer redeemed his corn, usually without loss, since the grain was still marketable.

Moth damage to corn was confined largely to the southern portion of the Corn Belt—in southern Illinois and Missouri and in Kentucky and Kansas, where less corn is grown than in the northern areas.

A large amount of 1938 and 1939 corn remains under loan and will be resealed for 1 or 2 years. Experience to date indicates that good quality corn can be stored on farms and kept in good condition for several years, so long as it is properly supervised.

WHEAT: About 33 million bushels of 1939 wheat were stored on farms in the fall of 1939 and kept there through the spring of 1940. Of this, about 10 million bushels in the northern wheat States were resealed to be held for another year. Less wheat than corn was stored on farms,

because fewer wheat farms have farm storage facilities and wheat, unlike corn, is not normally used in great quantity on farms. Between the time the wheat was placed under loan and the end of the loan period wheat prices went up. The loan enabled farmers to take advantage of the rise in price and to sell their wheat at a profit.

Loan wheat went through the storage period in excellent condition, despite the most serious infestation of grain weevil on record. In 21 western and midwestern wheat States, there were 33,643 loans on farm-stored wheat, covering approximately 65,000 bins. An inspection report compiled following the loan expiration on April 30 showed that only 1,281 bins, or less than 2 percent, were weevily. Damage from other causes was negligible. Most of the weevily bins were treated and brought back into good condition. The rest of the loans were voluntarily redeemed by the borrowers following the inspection

reports. This involved no loss to the farmers, since the inspection revealed the threat to the wheat before enough damage was done to affect its market value. Most of the resealed wheat was reinspected in August and found in uniformly good condition.

Before a loan is made, wheat must have been in storage for at least 30 days, to reveal any deterioration that may have taken place immediately after harvest. Then both the bin and the wheat are inspected to insure that they meet specified standards. After the loan is made the wheat is protected further by frequent inspections. When a loan is made the farmer accepts responsibility for keeping the grain in condition. The experience with loans to date indicates that farmers are faithful to this responsibility and that farm storage in Ever-Normal Granary is safe and practical.

R. M. EVANS,
A. A. A. Administrator.

Prices of Farm Products

Estimates of average prices received by farmers at local farm markets based on reports to the Agricultural Marketing Service. Average of reports covering the United States weighted according to relative importance of district and States.

Product	5-year average, August 1909-July 1914	Septem-ber average, 1909-13	Septem-ber 1939	August 1940	Septem-ber 1940	Parity price, Septem-ber 1940
Cotton, lb.	cents	12.4	12.2	9.13	9.23	9.23
Corn, bu.	do	64.2	69.6	56.2	63.1	61.9
Wheat, bu.	do	88.4	87.7	72.7	0.1	62.6
Hay, ton.	dollars	11.87	11.39	7.17	67.10	6.98
Potatoes, bu.	cents	69.7	74.4	69.4	68.0	59.5
Oats, bu.	do	39.9	38.8	31.5	26.7	27.0
Soybeans, bu.	dollars	(1)		.73	.67	.69
Peanuts, lb.	cents	4.8	4.7	3.44	3.44	3.38
Apples, bu.	dollars	.96	.71	.63	.79	.76
Beef cattle, cwt.	do	5.21	5.09	7.07	7.21	7.49
Hogs, cwt.	do	7.22	7.49	7.06	5.83	6.14
Chickens, lb.	cents	11.4	11.6	13.6	13.4	13.7
Eggs, doz.	do	21.5	20.5	20.6	17.2	21.0
Butterfat, lb.	do	26.3	25.8	24.7	26.7	27.1
Wool, lb.	do	18.3	18.6	24.3	27.3	28.0
Veal calves, cwt.	dollars	6.75	6.78	8.92	8.59	9.06
Lambs, cwt.	do	5.87	5.47	7.57	7.52	7.59
Horses, each.	do	136.60	136.10	79.90	72.50	72.60

¹ Prices not available.

² Post-war base.

³ Adjusted for seasonality.

Economic Trends Affecting Agriculture

Year and month	Industrial production (1923-25=100) ¹	Income of industrial workers (1924-29=100) ²	Cost of living (1924-29=100) ³	(1910-14=100)				Taxes ⁴	
				Prices paid by farmers for commodities used in living and production					
				Living	Production	Living and production			
1925	104	98	101	151	147	157	176	270	
1926	108	102	102	146	142	146	155	271	
1927	106	100	100	139	159	145	153	277	
1928	111	100	99	141	160	148	155	279	
1929	119	107	99	139	158	147	153	281	
1930	96	88	96	126	148	140	145	167	
1931	81	67	88	107	126	122	124	130	
1932	64	46	79	95	108	107	96	219	
1933	76	48	76	96	109	108	109	187	
1934	79	61	78	109	122	125	123	178	
1935	90	69	80	117	124	126	125	180	
1936	105	80	81	118	122	126	124	111	
1937	110	94	84	126	128	135	130	126	
1938	86	73	82	115	122	124	122	124	
1939	105	83	82	113	120	122	121	124	
1939-September	111	86	82	115	122	123	122	-----	
October	121	91	82	116	-----	-----	122	126	
November	124	93	82	116	-----	-----	122	-----	
December	128	93	82	116	121	123	122	-----	
1940-January	119	93	82	116	-----	-----	122	119	
February	109	89	82	115	-----	-----	122	-----	
March	104	87	82	114	121	125	123	-----	
April	102	86	82	115	-----	-----	123	124	
May	106	87	82	114	-----	-----	123	-----	
June	114	89	83	113	121	125	123	-----	
July	117	91	83	113	-----	-----	122	129	
August	123	94	92	113	-----	-----	122	-----	
September ⁷	-----	-----	-----	-----	-----	-----	122	-----	

Index of prices received by farmers (August 1909-July 1914=100)

Year and month	Grains	Cotton and cotton-seed	Fruits	Truck crops	Meat animals	Dairy products	Chickens and eggs	Ratio of prices received to prices paid	
								All groups	
1925	157	177	172	153	140	153	163	156	99
1926	131	122	138	143	147	152	159	145	94
1927	128	128	144	121	140	155	144	139	91
1928	130	152	176	159	151	158	153	149	96
1929	120	144	141	149	156	157	162	146	95
1930	100	102	162	140	133	137	129	126	87
1931	63	63	98	117	92	108	100	87	70
1932	44	47	82	102	63	83	82	65	61
1933	62	64	74	105	60	82	75	70	64
1934	93	99	100	103	68	95	89	90	73
1935	103	101	91	125	118	108	117	108	86
1936	108	100	100	111	121	119	115	114	92
1937	126	95	122	123	132	124	111	121	93
1938	74	70	73	101	114	109	108	95	78
1939	72	73	77	105	110	104	94	93	77
1939-September	83	76	73	117	117	107	102	98	80
October	77	74	73	128	112	112	108	97	80
November	79	75	66	123	107	117	117	97	80
December	87	82	65	96	101	118	97	96	79
1940-January	90	85	66	117	103	119	91	99	81
February	91	85	76	168	101	118	98	101	83
March	92	85	73	128	102	114	83	97	79
April	96	85	81	145	104	110	82	98	80
May	92	83	88	133	108	106	84	98	80
June	83	81	104	134	102	104	81	95	77
July	78	80	89	98	110	105	88	95	78
August	76	77	79	112	110	109	90	96	79
September	77	76	73	118	114	111	104	97	78

¹ Federal Reserve Board, adjusted for seasonal variation. ² Adjusted for seasonal variation.

³ Monthly indexes for months not reported by the Bureau of Labor Statistics are interpolated by use of the National Industrial Conference Board cost-of-living reports.

⁴ Bureau of Labor Statistics index with 1926=100, divided by its 1910-14 average of 68.5.

⁵ These indexes are based on retail prices paid by farmers for commodities used in living and production reported quarterly for March, June, September, and December. The indexes for other months are interpolations between the successive quarterly indexes.

⁶ Index of farm real-estate taxes per acre. Base period represents taxes levied in the calendar years 1909-13, payable mostly within the period Aug. 1, 1909-July 31, 1914.

⁷ Preliminary.

NOTE: The index numbers of industrial production and of industrial workers' income shown above are not comparable in several respects. The base periods are different. The production index includes only mining and manufacturing; the income index also includes transportation. The production index is based on volume only, whereas the income index is affected by wage rates as well as by time worked. There is usually a time lag between changes in volume of production and in workers' income, since output can be increased or decreased to some extent without much change in the number of workers.